

LEASE CONTRACT AND AGREEMENT

This Lease Contract and Agreement entered into this date between Mississippi Extended Care Centers, Inc., hereinafter called Lessor, and DeSoto Community Care Center, LLC, a Mississippi Limited Liability Company, hereinafter called Lessee;

WITNESSETH**1. CONSIDERATION AND PREMISES**

In consideration of the rentals hereinafter set forth and the covenants hereinafter made and to be observed and performed by the Lessee and Lessor, Lessor does hereby let and lease unto the Lessee and the Lessee does hereby take and hire from the Lessor a 60 bed nursing home facility (the "Facility"), situated in Horn Lake, Mississippi on the property described in Exhibit "A" attached hereto.

There shall be included and is hereby included in this Lease Contract Agreement, all necessary furniture, fixtures, and kitchen equipment sufficient for the operation of a 60 bed nursing home on the property described in Exhibit "A". Lessor and Lessee stipulate that said equipment has been furnished by Lessor to Lessee. An inventory of said personal property is hereunto attached in Exhibit "B" and made a part hereof for all purposes.

2. TERM

The term of this Lease Contract and Agreement shall be for a period of three (3) years commencing on the first day of June, 2002, and terminating at midnight, May 31, 2005. This Lease Contract and Agreement shall automatically renew on the same terms and conditions unless terminated by either party upon written notice 30 days prior to the termination date.

STATE MS. - DESOTO CO.

JUN 3 1 45 PM '02

3. RENT

The Lessee shall pay to the Lessor, at such place as Lessor may designate from time to time in writing, as monthly Rent Payments for the "Facility" an amount equal to ninety-five (95%) of the Net Cash Flow from the operation of the "Facility" determined pursuant to the formula set forth in Exhibit "C". Payment of the Rent shall consist of a base payment in the amount of \$19,000.00 due at the beginning of each month with the balance due sixty (60) days thereafter.

Lessee shall maintain books and records in connection with its use, and occupancy, management and operation of the Leased Premises, and any business thereon and therefrom and all revenues and other sales earned in connection with the Leased Premises.

Notwithstanding any other additional provisions of this lease, it is the intention of the parties that this lease be a net, net lease to the Lessor and Lessee shall accordingly pay all state, parish local and personal property taxes, insurance, maintenance of the building and furniture, fixtures and equipment and all other charges pertaining to the use and operation of the facility. The only charge which the Lessor shall be liable to pay shall be the Lessor's own state, federal and local income, sales and other taxes in respect of the income received by Lessor from Lessee, being the rental paid by Lessee under this lease and any mortgages or other debt service payments in respect of Lessor's ownership of the said facility.

4. MAINTENANCE AND USE

The Lessee shall:

(a) At its own expense maintain, repair, and whenever necessary, effect leasehold improvements and replace the furnishings, fixtures, and equipment, all of which shall be done in a manner in accordance with the minimum standards from time to time prevailing during the pendency of this lease which apply for the furnishing, equipping and maintenance of nursing homes, but which shall in any event be no less than the minimum standards required by State and Federal authorities for Welfare or Medicaid purposes.

(b) Use the Leased Premises for the following purposes and no other purpose; To operate a nursing home and ancillary facility which may include the sale of medicines, drugs, nursing supplies and the other appropriate items and the like, which shall be continuously open and operating. The nursing home business to be operated upon the Leased Premises shall be

operated in accordance with at least the minimum standards of quality and service required by both State and Federal Regulatory Agencies having jurisdiction over Nursing Homes. Upon the termination of this lease for whatever cause, the Leased Premises shall be returned to Lessor as an open and fully operating nursing home facility.

(c) Lessee agrees that Lessee from time to time will effect leasehold improvements and purchase new equipment to place in the facility at Lessee's own cost and expense and that said leasehold improvements and equipment will become the property of Lessor upon termination of this lease. For purposes of this Section, renewal of this lease as provided for under Section 2 hereof, or execution of a new lease between the parties, will not be a termination of this lease. Lessee will furnish Lessor a complete list of all improvements to be made and property to be purchased, along with invoices for same when actually purchased, it being understood that these purchases will bring the facility up to the "fully equipped" status.

5. WARRANTY AND QUIET POSSESSION

Lessor warrants that it owns the leased premises and has full and unrestricted rights to lease the Leased Premises to Lessee during the term of this lease and guarantees uninterrupted right to use and possession of the premise to the Lessee and will defend all adverse claims.

6. WASTE AND NUISANCE

Lessee covenants not to commit nor to permit any waste whatsoever and that it will allow no nuisances to exist on said premise, and will, free of expense to Lessor, when required by the proper authorities abate all nuisances. Lessee agrees throughout the term of the lease to take good care of and maintain the Leased Premises, both inside and outside, and the structure (except as otherwise herein provided) from time to time thereon, and to suffer no waste, and subject to the provisions of Section 4 hereof at the cost and expense of the Lessee to keep and maintain the premise in good repair and to keep the plumbing, water pipes and connections free from obstructions, and at the end or other expiration of the term of the lease to deliver to the Lessor the Leased Premises and all buildings and fixtures, then existing thereon in good order and condition, reasonable wear and tear from normal use excepted. Lessee promises promptly to execute, fulfill and comply with all valid ordinances of governing authorities and subdivision or departments thereof for the correction with said premises during the term of said lease, and at all

times to maintain and operate the Leased Premises and the business conducted thereon in strict accordance with all provisions of law.

7. UTILITIES AND TAXES

Lessee shall promptly pay all gas, light, power, water, sewage, garbage disposal, telephone and other utility bills currently as they come incurred in connection with the use of the Leased Premises from the beginning of the rental period. Lessee shall pay all state, county, city, school district and municipal taxes, all assessments, both general and special, including all special charges, benefit assessments or judgments for local improvements and all taxes, assessments and charges, for each and every kind which may be levied against and become due and payable in respect of the Leased Premises, including land, improvements, fixtures, machinery, equipment or personal property from the beginning of the rental period, except nothing herein shall prevent Lessee from contesting any such impost as its option and in no way is the Lessee to be liable for impositions assessed against the Leased Premises for failure of Lessor to pay income taxes or other personal debts or obligations. If Lessee decides to contest any impost Lessor consents to allowing Lessee to use Lessor's name in such action though Lessee shall bear all expenses relating thereto. All such taxes so payable for the first and last year shall be pro-rated between Lessor and Lessee as of the beginning of the rental period and the date of termination of this lease respectively. In the event Lessee is required to make any payments to any governmental authority as a result of tax claims against Lessor, such payments may be deducted by Lessee from future rentals payable under this Agreement. Any provisions herein to the contrary notwithstanding, it is specifically agreed that Lessee shall not be responsible for any tax of any nature now or hereafter imposed on or payable as a result of the rental payments (from Lessee to Lessor) herein provided for.

8. INSURANCE

Lessee binds and obligates itself to carry, at its sole cost and expense, one or more policies or public liability insurance and professional liability insurance, with combined single limits of up to \$1,000,000.00 for bodily injury and property damage, including the property of Lessor, for full protection of Lessor and Lessee, by an insurance company acceptable to Lessor and in the name of Lessor and Lessee, and Lessee agrees to deliver or cause to be delivered to Lessor a duplicate original or certified copy of said policy or policies, together with certificates certifying to Lessor that all of said insurance is in force, and that said insurance will not be

cancelled or otherwise changed or modified while this agreement of lease is in effect, without thirty (30) days prior written notice of such cancellation or modification to Lessor. In case of failure of Lessee to effect or maintain the above described insurance, or to deliver copies or duplicate originals of any such policy or policies to Lessor, or provide the above described certificates of insurance, Lessor may, at its option, effect such insurance in accordance with the above terms, conditions and provisions, at the expense of Lessee, but in no case shall the exercise of this right or remedy be deemed a waiver of the breach of tenant in failing to effect such insurance. Lessee shall maintain fire and property damage insurance on the leased premises and leased equipment, to the full insurable value thereof, at its' sole cost and expense, which shall also be payable to Lessor. Lessee shall also be obligated to insure against loss or damage from any cause, all property on the premises owned by Lessee; said policy to contain a waiver of subrogation against Lessor. Lessee shall maintain business interruption insurance payable to Lessor in an amount at least equal to the lease payments of this lease. The policy shall provide that lease payments shall continue for a period of no less than twelve (12) months. Lessee shall deliver to Lessor a duplicate original or certified copy of any such policy or policies, together with certificates certifying to Lessor that said insurance is in full force and effect and that the insurer or insurers waive and abandon any and all rights to be or become subrogated to any of Lessee's rights against Lessor, or any of its agents, servants, employees, officers or executive officers.

9. CAPITAL IMPROVEMENTS

In the event that it should become necessary at any time hereafter for capital improvements to be made in or about the Leased Premises, such as would be brought about by an increase in State or Federal governing agencies' requirements, Lessee shall have the option to request Lessor to make such improvements in which event the rent shall be increased accordingly by an amount agreed upon by Lessee and Lessor prior to required improvement being made, or alternatively the Lessee shall have the right to effect such improvements himself at its own expense without cost or charge to Lessor, in which event the lease rental shall be unaffected.

10. DESTRUCTION OF LEASED PREMISES

P BK94 PG 351

Should the building upon the Leased Premises be totally or partially destroyed by fire or other cause, the damage shall be repaired and the building restored to its original condition with the proceeds of the insurance provided for in Paragraph 8 of the lease. Should the building be damaged by any cause whatsoever so the rebuilding or repairs are not completed within twelve (12) months of the occurrence of such damage, this lease may be terminated at the option of the Lessee. Lessee shall be allowed an equitable abatement of the rent during such time as it is unable to enjoy the use of the whole or part the Leased Premises.

11. CONDEMNATION

In the event that all or any part of the Leased Premises shall be taken or damaged by the exercise of the power of eminent domain, then (whether or not this lease shall terminate by operation of law upon such exercise of the power of eminent domain) the respective interest of the Lessor and Lessee in and to the Leased Premises by reason of such exercise of power of eminent domain, shall be separately determined and computed by the Court having jurisdiction and separate awards and judgements with respect of such damage to the Lessor and Lessee, respectively, and to each of such respective interests, shall be made and entered. The parties shall receive and retain the amount of such damages so determined with respect to their interest.

In the event the Leased Premises is so substantially and permanently taken by the power of eminent domain as to make the Leased Premises in the opinion of the Lessee unsuitable for continuing the operation of said Nursing Home, then this lease may be terminated by the Lessee, as of the effective date of the taking, by notice given by Lessee to Lessor. Any such termination shall be without prejudice to any claim of Lessee against the condemning authority for damages resulting to Lessee from such condemnation. In the event the Leased Premises shall be partially and permanently taken by the power of eminent domain but in the opinion of Lessee the uncondemned portion of the Leased Premises is suitable for continuing the operation of the Nursing Home, then this lease shall not terminate and Lessor shall repair the demised premise so that the operation can continue. In this event, the Lessee shall be allowed an equitable abatement of the rent with respect to the monthly rental.

12. ACCESS TO THE LEASED PREMISE

Lessee agrees that it will permit Lessor, or any duly authorized agent of Lessor, free access to the Leased Premises at any reasonable time for the purpose of examination and

inspection of the same.

13. ASSIGNMENT AND SUBLEASES BY LESSEE

Lessee may not make any assignment of this lease or any right hereunder, nor enter into any sublease of all or any part of the Leased Premises without the prior written consent of Lessor. It is provided, however, that this paragraph shall not prohibit rental of rooms or beds in the ordinary course of the operation of the Nursing Home and for the use of suitable portions of the Leased Premises for meetings, meals, entertainment of patients, church services or ancillary services in the Leased Premises.

14. ASSUMPTION OF CONTRACTS

Lessee agrees to assume through the lease period all obligations of the Lessor under the contracts now in effect and listed on Exhibit "D".

15. LIEN OF LESSOR

Any money and other sums which shall always be secured by valid first lien in favor of Lessor upon all supplies, equipment, personal property or other property of any nature upon the Leased Premises and which is owned by Lessee or in which Lessee has any right, title or interest.

16. DEFAULT

A default which may lead to a cancellation of this lease by Lessor shall exist only if one of the following events shall occur as defined in one of the following subparagraphs:

(a) The non-payment by Lessee to Lessor of any monthly installment of rent, or the non-payment of Lessee of uncontested taxes, insurance premiums or assessments, such non-payment to continue for a period of at least ten (10) days, followed by the sending of a notice by the Lessor to the Lessee, which notice shall specifically set out the amount of money then past due for ten (10) days or more, according to the terms hereof, which notice shall specify that it is the intention of the Lessor to cancel this lease for non-payment of such amount followed by the continued non-payment of such sum for the following period of thirty (30) days referred to in such notice.

(b) Final judicial determination of breach, default or non-compliance by the Lessee with any covenant contained in this lease, followed by notice from Lessor to Lessee and failure of Lessee to remedy or correct such breach, default, or non-compliance within thirty (30) days after receipt of such notice.

(c) The appointment of a receiver for Lessee of substantially all of its property on the

grounds of insolvency or inability to pay debts as they mature and the failure of such receivership to be vacated within sixty (60) days after such order of appointment, the final adjudication under the law of Lessee as a bankrupt, or the application and receiving by lessee of the advantages or any bankruptcy or insolvent act.

If an event of default as provided above shall occur, Lessor shall have the right, on notice, immediately to cancel this lease, and the lease shall immediately terminate, and Lessor shall have the immediate right to re-enter and repossess the Leased Premises, and in such event of re-entry Lessor shall ipso facto become vested with fee simple title to all buildings, improvements and fixtures owned by Lessor upon the Leased Premises, free of all liens and rights of Lessee, and Lessor may re-enter the Leased Premises and remove all administrative or operational personnel therefrom without being guilty of trespass and without prejudice to any remedies for accrued rents or damage, and in such event Lessor shall be additionally entitled to recover reasonable attorney's fees and collection charges incurred in connection with effecting such cancellation.

If an event of default shall occur and the breach of Lessee which led to that event of default shall be cured before the cancellation of the lease, then no right to cancel the lease shall be based upon such breach or event of default, however, curing of one default shall not affect other defaults. Nor shall Lessor have the right to cancel this lease after the expiration of six (6) months from same or other event default. Furthermore, if during the period of notice referred to above, Lessee shall have been prevented from curing a breach, other than payment of money, by circumstances beyond its control, such as war, civil commotion, acts of God, or intervention of governmental restrictions or regulations preventing the curing of the breach, then said allowed time for Lessee to cure the breach shall be extended for a period of time equal to the length of time the said circumstances existed.

In addition to the right of Lessor to cancel the lease as above provided for in this Section, and without waiver of such right, Lessor may sue Lessee for damages for non-compliance with any covenant, agreement or warranty contained in this lease or for non-payment of any sum required to be paid by Lessee to Lessor or for specific performance of any covenant of this lease. The waiver of any one event of default shall not be construed as the waiver of any other event or default.

Breach, default, or non-compliance with any term or covenant contained in this lease by

Lessor for which a remedy is not stated, followed by notice given Lessor, by Lessee, and failure to correct or remedy is not stated, followed by notice given Lessor, by Lessee, and failure to correct or remedy such breach, default or non-compliance within thirty (30) days shall give the Lessee the right to terminate this lease without abrogating any legal or equitable remedy which it may have including but not limited to any amount for damages, etc.

17. HOW NOTICE DELIVERED

Each provision of this instrument for sending, mailing or delivering of any notice by Lessor to Lessee or by Lessee to Lessor, or with reference to making of any payments may be compiled with by the payment or delivery in person of such notice at the address provided for below, for Lessor or Lessee, as the case may be, or by the mailing of same to such address by United States First Class Prepaid Mail, Registered, Return Receipt Requested. The receipt of any such mailed notice or payment shall be presumed to have occurred at the address to which it was thus mailed within forty-eight (48) hours but such presumption shall be rebuttable. For the purpose of any such notice upon Lessor, Lessor shall specify one address at which the payment or notice shall be delivered or to which it shall be sent as provided herein. In like manner, the Lessee shall specify one address at which the payment or notice shall be delivered or to which it shall be sent as provided herein. The addresses originally specified and to serve until notice otherwise shall be given to the other party hereto are:

LESSOR: Mississippi Extended Care Centers, Inc.
Joseph Sadler, CEO
P.O. Box 6015
Ridgeland, MS 39158

LESSEE: DeSoto Community Care Center, LLC
John Stassi, Manager
2300 Pan American Life Center
601 Poydras St.
New Orleans, LA 70130-6078

Either the Lessor or Lessee may, by given notice to the other, specify some other one address as its address, but until so specified by written notice given to the other in the manner provided above, the above mentioned address (or any new address substituted therefor as above) shall be the address to which all notices and payments shall be delivered and sent.

18. NON-PAYMENTS OF OBLIGATIONS BY LESSOR

Lessor agrees that it will endeavor to obtain an agreement on the part of any mortgagee of the Leased Premises not to foreclose such mortgage in the event of default without first giving notice of such default to the Lessee, and if the Lessee corrects such default promptly after notice, the mortgagee will not foreclose the mortgage. Should the Lessor at any time default in the payment of any mortgage charge, the Lessee may be at its option pay any or all of such sum in default and be subrogated to the rights of the lien holder to the extent of said payments thereon. Any payments made by Lessee for the foregoing reasons, whether to the mortgagee or for any other payment due with respect to the Leased Premises may be applied on the rental due or to become due under the terms of this lease.

19. GENERAL PROVISION

This agreement shall be binding upon and shall inure to the benefit of the parties hereto, their heirs, executors, administrators, successors and valid assigns. The captions for which each of the Sections of this lease are intended for convenience only. This instrument is executed in multiple originals, each of which shall be deemed as originals.

20. MEDICARE REPORTING AND ACCESS REQUIREMENT

Access to Books, Documents and Records. Until the expiration of four (4) years after such Medicare and Medicaid reimbursable services are furnished as provided under Agreement, upon proper written request, contractor will make available to the Secretary of the United States Department of Health and Human Services (the Secretary) and the United States Comptroller General (the Comptroller General), and their duly authorized representatives, this Agreement and all books, documents and records necessary to certify the nature and extent of the costs of those services.

If Medicare and Medicaid reimbursable services are carried out by means of a subcontract and subcontractor carries out the duties of this Agreement through a subcontract worth \$10,000 or more over a twelve (12) month period with a related organization, the subcontract will also contain an access clause to permit access by the Secretary, the Comptroller General and their representatives to the subcontractor's and the related organization's books and records. The access clause will provide that until the expiration of

four (4) years after the furnishing of Medicare or Medicaid reimbursable services pursuant to said subcontract, upon proper written request, subcontractor and related organization will allow the Comptroller General of the United States, the Secretary of Health and Human Services and their duly authorized representative access to the subcontractor's and to the related organization's books, documents and records as necessary to certify the nature and extent of costs of Medicare or Medicaid reimbursable services provided under the subcontract.

SIGNED this the 23rd day of May, 2002.

WITNESSES:

Hibernia W. Dyer
Magee Barber

**MISSISSIPPI EXTENDED CARE
CENTER, INC., Lessor**

Joseph W. Sadler
Joseph Sadler, CEO/President

WITNESSES:

Janis Mondello
Kathleen K. Phillips

**DESOTO COMMUNITY CARE
CENTER, LLC, Lessee**

John Stassi
CommCare Corporation, Member
John Stassi, President

STATE OF MISSISSIPPI

COUNTY OF Madison

PERSONALLY CAME AND APPEARED before me, the undersigned authority in and for the said county and state, on this the 23rd day of May, 2002, within my jurisdiction, the within named Joseph Sadler, personally known to me to be and who acknowledged that he is the CEO/President of the within named MISSISSIPPI EXTENDED CARE CENTER, INC., a Mississippi Corporation, and that in said capacity with said corporation, they are authorized and empowered to sign, execute and deliver the above and foregoing instrument, that on the day and year therein mentioned, they did freely and voluntarily sign, execute and deliver the above and foregoing instrument for the purposes therein mentioned for and on behalf of at the request of and as the act and deed of said corporation, after first having been duly authorized to do so.



Vicki R. Neighbors
NOTARY PUBLIC

STATE OF LouisianaPARISH OF Orleans

PERSONALLY CAME AND APPEARED before me, the undersigned authority in and for the said parish and state, on this the 24 day of May, 2002, within my jurisdiction, the within named John A. Stasse, II, personally known to me to be and who acknowledged that he is the President of CommCare Corporation, a Member of the within named DESOTO COMMUNITY CARE CENTER, LLC, a Mississippi Limited Liability Company, and that in said capacity with said corporation, they are authorized and empowered to sign, execute and deliver the above and foregoing instrument, that on the day and year therein mentioned, they did freely and voluntarily sign, execute and deliver the above and foregoing instrument for the purposes therein mentioned for and on behalf of at the request of and as the act and deed of said limited liability company, after first having been duly authorized to do so.

[Signature]
NOTARY PUBLIC

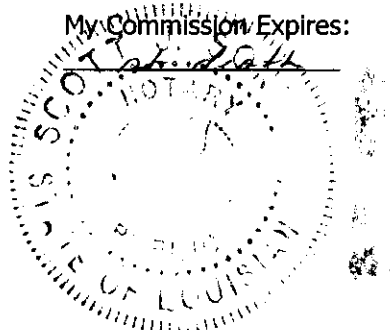


EXHIBIT A

LAND

PART OF SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 33,
T-1-S, R-8-W, DESOTO COUNTY, MISSISSIPPI
MORE PARTICULARLY DESCRIBED AS FOLLOWS, TO WIT:

Commencing at the Southeast Corner of the Southeast Quarter of the Southeast Quarter of said Section, said point being the intersection of the Centerline of Nail Road and Tulane Road;

Thence West a distance of 190.10 feet;

Thence North a distance of 39.22 feet to the North Right-of-Way line of said Nail Road and to the Point of Beginning;

Thence South $89^{\circ}51'30''$ West along said North Right-of-Way line a distance of 485.24 feet;

Thence North $00^{\circ}08'30''$ West a distance of 49.37 feet;

Thence North $25^{\circ}16'00''$ East a distance of 947.30 feet;

Thence North $67^{\circ}41'49''$ East a distance of 80.82 feet to the West Right-of-Way line of Tulane Road, said point being a Curve;

Thence Southerly along said Right-of-Way line of Tulane Road, a Curve to the Right, having a Delta of $17^{\circ}08'32''$, a Radius of 2251.83 feet, a Chord of South $12^{\circ}51'39''$ East 671.22 feet;

Thence South $85^{\circ}40'51''$ West a distance of 150.00 feet;

Thence along a Curve to the Right having a Delta of $04^{\circ}10'39''$, a Radius of 2101.83 feet, a Chord of South $02^{\circ}17'40''$ East 153.21 feet;

Thence South $00^{\circ}08'30''$ East a distance of 116.75 feet to the Point of Beginning and containing 7.45 acres.

FISCAL YEAR ENDED 3/2002

DEPRECIATION EXPENSE REPORT

PAGE 1

FINANCIAL ACCOUNTING

RUN DATE 4/25/02

SORT: G/L ACCOUNT

Landmark of Desoto

72

TIME 1:02 pm

ASSET NO	DESCRIPTION	LOC	G/L ACCOUNT	ID NUMBER	DATE ACQUIRED	D M	LIFE	COST/ BASIS	SALVAGE VALUE	LAST DEPR	YTD DEPR	TOTAL DEPR
1	LAND		170810		7/ 1/01		0					
2	LAND		170810		7/ 1/01		0					
8	OUTDOOR IRRIGATION SYSTEM		170830		7/ 1/01	S	20	6634.00		12/01	82.93	248.78
9	OUTDOOR SIGN		170830		7/ 1/01	S	20	1786.00		12/01	22.33	66.98
12	LANDSCAPING FACILITY		170830		7/ 1/01	S	20	39515.65		12/01	493.95	1481.84
3	BUILDING		170840		7/ 1/01	S	40	1778810.70		12/01	11117.57	33352.71
7	TELEPHONE SYSTEM		170860		7/ 1/01	S	10	6193.21		12/01	154.83	464.49
11	LAUNDRY TRUCK (4)		170860		7/ 1/01	S	9	734.83		12/01	20.41	61.24
13	STARTUP OFFICE EQUIPMENT		170860		7/ 1/01	S	10	2056.29		12/01	51.41	154.23
14	CHARTING SYSTEM		170860		7/ 1/01	S	9	2559.33		12/01	71.09	213.28
16	WASTEBASKETS-104		170860		7/ 1/01	S	10	1207.08		12/01	30.18	90.54
18	ROOM SIGNAGE		170860		7/ 1/01	S	10	3090.73		12/01	77.27	231.81
32	FILE CABINETS-3		170860		7/ 1/01	S	10	951.60		12/01	23.79	71.37
33	OFFICE FURNITURE		170860		7/ 1/01	S	10	6452.16		12/01	161.31	483.92
34	OFFICE FURNITURE-DESKS		170860		7/ 1/01	S	10	6413.68		12/01	160.34	481.03
35	BEDSPREADS-60		170860		7/ 1/01	S	10	1518.87		12/01	37.97	113.92
36	BLANKETS, W/CLOTHES, TOWELS		170860		7/ 1/01	S	10	3686.90		12/01	92.17	276.52
38	TABLE & BASE-15		170860		7/ 1/01	S	10	8660.33		12/01	216.51	649.53
39	FOLDING LAUNDRY TABLES-2		170860		7/ 1/01	S	10	331.81		12/01	8.30	24.89
42	SOFA-2; CHAIR-2; OTTOMAN		170860		7/ 1/01	S	10	2610.26		12/01	65.26	195.78
43	OCCASIONAL CHAIRS-58		170860		7/ 1/01	S	10	13737.43		12/01	343.44	1030.31
44	QUEEN ANNE CHAIRS-4		170860		7/ 1/01	S	10	1071.10		12/01	26.78	80.34
50	MULTIPLE TABLES, ENT CTR.		170860		7/ 1/01	S	10	7732.26		12/01	193.31	579.93
52	4 STATION ACT. TABLE-2		170860		7/ 1/01	S	10	1323.00		12/01	33.08	99.23
53	BEAUTY SHOP EQUIPMENT		170860		7/ 1/01	S	10	1987.93		12/01	49.70	149.10
54	HEAD/FT BD; BEDSIDE CAB-60		170860		7/ 1/01	S	10	20880.00		12/01	522.00	1566.00
55	DINING CHAIRS-56		170860		7/ 1/01	S	10	14747.99		12/01	368.70	1106.10
59	ROOM SEPARATION DRAPERY		170860		7/ 1/01	S	10	2801.18		12/01	70.03	210.09
65	2 CHAIRS		170860		7/ 1/01	S	10	453.60		12/01	11.34	34.02
66	32 WARDROBE UNITS		170860		7/ 1/01	S	10	26155.98		12/01	653.90	1961.70
67	3 AMCO SHELVING UNITS		170860		7/ 1/01	S	10	475.08		12/01	11.88	35.64
72	ACCESSORIES & PICTURES		170860		7/ 1/01	S	10	18936.18		12/01	473.41	1420.22
73	DRAPERY & CURTAINS		170860		7/ 1/01	S	10	2505.37		12/01	62.64	187.91
74	WALL PLAQUES		170860		7/ 1/01	S	10	307.95		12/01	7.70	23.10
81	OCCASIONAL CHAIRS		170860		8/14/01	S	10	1073.76		12/01	26.85	71.59
4	THERAPY EQUIPMENT		170870		7/ 1/01	S	9	3301.79		12/01	91.72	275.16
5	STARTUP FORMS		170870		7/ 1/01	S	9	350.20		12/01	9.73	29.19
6	SOFTWARE LICENSE FEES		170870		7/ 1/01	S	5	17062.50		12/01	853.13	2559.38
10	MINOLTA COPIER		170870		7/ 1/01	S	6	3424.00		12/01	142.67	428.01
15	FACILITY CARTS-3		170870		7/ 1/01	S	10	2195.85		12/01	54.90	164.70
17	COMMERCIAL WASHER		170870		7/ 1/01	S	10	771.49		12/01	19.29	57.87
19	KITCHEN EQUIPMENT		170870		7/ 1/01	S	10	54474.24		12/01	1361.86	4085.57
20	ICE MAKER AND BIN		170870		7/ 1/01	S	10	2562.65		12/01	64.07	192.21
21	SHELVING		170870		7/ 1/01	S	10	1316.96		12/01	32.93	98.78
22	SHELVES FOR DRY STORAGE		170870		7/ 1/01	S	10	1748.38		12/01	43.71	131.13
23	DISH ROOM SHELVING		170870		7/ 1/01	S	10	552.55		12/01	13.82	41.45
24	ICE MAKER AND BIN		170870		7/ 1/01	S	10	2562.65		12/01	64.07	192.21
25	STAINLESS TRIM-HOOD		170870		7/ 1/01	S	10	401.25		12/01	10.03	30.10
26	FLOOR CLEANING EQUIPMENT		170870		7/ 1/01	S	10	2441.04		12/01	61.03	183.08
27	DIAGNOSTIC SET		170870		7/ 1/01	S	9	161.07		12/01	4.48	13.43

P BK94 PG 360

FISCAL YEAR ENDED 3/2002

DEPRECIATION EXPENSE REPORT

PAGE 2

FINANCIAL ACCOUNTING

RUN DATE 4/25/02

SORT: G/L ACCOUNT

Landmark of Desoto

72

TIME 1:02 pm

ASSET NO	DESCRIPTION	LOC	G/L ACCOUNT	ID NUMBER	DATE ACQUIRED	D M	LIFE	COST/ BASIS	SALVAGE VALUE	LAST DEPR	YTD DEPR	TOTAL DEPR
28	DIAGNOSTICS-THER,BP KITS		170870		7/ 1/01	S	9	1002.60		12/01	27.85	83.55
29	MAXIFLOAT MATTRESSES-60		170870		7/ 1/01	S	9	15228.78		12/01	423.02	1269.07
30	OVERBED TABLES-10		170870		7/ 1/01	S	9	1044.84		12/01	29.02	87.07
31	SHOWER CHAIRS;SAFETY BELT		170870		7/ 1/01	S	9	339.62		12/01	9.44	28.31
37	MANUAL PATIENT BEDS-60		170870		7/ 1/01	S	9	22919.40		12/01	636.65	1909.95
40	STARTUP FORMS		170870		7/ 1/01	S	10	1543.76		12/01	38.60	115.79
41	PILL CRUSHER-2		170870		7/ 1/01	S	9	407.76		12/01	11.33	33.99
45	GERI CHAIRS-2		170870		7/ 1/01	S	9	927.73		12/01	25.77	77.31
46	SUCTION MACH.;NEBULIZER-2		170870		7/ 1/01	S	9	714.40		12/01	19.85	59.54
47	WHEELCHAIRS-3		170870		7/ 1/01	S	9	824.52		12/01	22.90	68.71
48	BEDPAN RACKS-2		170870		7/ 1/01	S	9	1180.73		12/01	32.80	98.40
49	PHYSICIAN SCALE		170870		7/ 1/01	S	9	265.35		12/01	7.37	22.11
51	PATIENT LIFT SCALES		170870		7/ 1/01	S	9	9060.87		12/01	251.69	755.07
56	HEAVY WT TERRY COVER-8		170870		7/ 1/01	S	9	170.13		12/01	4.73	14.18
57	HYDROCOLLATOR;ULTRASOUND		170870		7/ 1/01	S	9	3502.04		12/01	97.28	291.84
58	JANITORIAL EQUIPMENT		170870		7/ 1/01	S	10	1295.13		12/01	32.38	97.14
60	WHIRLPOOL TUB		170870		7/ 1/01	S	9	11602.23		12/01	322.29	966.86
61	COMPUTER STATIONS-4		170870		7/ 1/01	S	5	4371.77		12/01	218.59	655.77
62	2 LUGGAGE CARTS		170870		7/ 1/01	S	9	705.93		12/01	19.61	58.83
63	TOWEL CABINET		170870		7/ 1/01	S	10	642.00		12/01	16.05	48.15
64	WHIRLAMATIC 20 BUFFER		170870		7/ 1/01	S	10	1012.22		12/01	25.31	75.92
68	KITCHEN SERVING EQUIPMENT		170870		7/ 1/01	S	10	739.39		12/01	18.49	55.46
69	SMALLWARES FOR KITCHEN		170870		7/ 1/01	S	10	3827.11		12/01	95.68	287.04
70	5 DRAWER MEDICAL CART		170870		7/ 1/01	S	9	807.04		12/01	22.42	67.26
71	START UP ITEMS, FAX		170870		7/ 1/01	S	10	562.39		12/01	14.06	42.18
75	COMPUTERIZED TIME CLOCK		170870		7/ 1/01	S	10	2004.11		12/01	50.10	150.31
76	ALARM SYSTEM		170870		7/ 1/01	S	10	1337.50		12/01	33.44	100.32
77	MODULAR-ROUTER		170870		7/ 1/01	S	5	915.99		12/01	45.80	137.40
78	VIDEO & POSTER		170870		7/ 1/01	S	5	120.90		12/01	6.05	18.14
79	HOUSEKEEPING ITEMS		170870		7/ 1/01	S	10	1194.63		12/01	29.87	89.60
82	SECURITY LOCKS		170870		9/12/01	S	10	9915.49		12/01	247.89	578.41
83	EXTRA WIDE WHEELCHAIR		170870		8/14/01	S	9	577.80		12/01	16.05	42.80
86	ELECTRONIC AIR CLEANER		170870		10/29/01	S	10	1706.65		12/01	42.67	78.23
87	COMPAQ EVO D300V		170870		11/19/01	S	10	589.00		12/01	14.73	22.09
89	UNIMAC WASHER		170870		1/ 1/02	S	10	7329.50			183.24	183.24
90	24" WHEELCHAIR		170870		11/29/01	S	9	517.88		12/01	14.39	21.58
91	22" WHEELCHAIR		170870		2/ 1/02	S	9	517.01			9.58	9.58
88	2001 DODGE VAN 3500		170880		11/16/01	S	5	18164.00		12/01	908.20	1362.30
80	CERTIFICATE OF NEED		170891		7/ 1/01	S	15	16010.70		12/01	266.85	800.54
85	LOAN CLOSING COSTS		180930		7/ 1/01	S	20	46524.00		12/01	581.55	1744.65
84	CONSTRUCTION INTEREST		180935		7/ 1/01	S	20	70175.88		12/01	877.20	2631.60

FISCAL YEAR ENDED 3/2002

DEPRECIATION EXPENSE REPORT

FINANCIAL ACCOUNTING

Landmark of Desoto

P BK 94 PG 361

PAGE 3

RUN DATE 4/25/02

TIME 1:02 pm

SORT: G/L ACCOUNT

72

ASSET	G/L	ID	DATE	D	COST/	SALVAGE	LAST	YTD	TOTAL			
NO	DESCRIPTION	LOC	ACCOUNT	NUMBER	ACQUIRED	M	LIFE	BASIS	VALUE	DEPR	DEPR	DEPR

DEPRECIATION EXPENSE SUMMARY

ACCT DESCRIPTION	COST/ BASIS	YTD DEPR	TOTAL DEPR	AVERAGE MONTHLY DEPR	CURRENT YEAR ADJUSTMENT
170810 LAND					
170830 LAND IMPROVEMENTS	47935.65	599.21	1797.60	199.74	
170840 BUILDINGS	1778810.70	11117.57	33352.71	3705.86	
170860 FURNITURE & FIXTURES	160655.89	4025.60	12067.83	1341.87	
170870 DEPARTMENT EQUIPMENT	204750.82	5944.43	17183.47	1981.48	
170880 VEHICLES	18164.00	908.20	1362.30	302.73	
170891 CON	16010.70	266.85	800.54	88.95	
180930 LOAN CLOSING COSTS	46524.00	581.55	1744.65	193.85	
180935 CONSTRUCTION PERIOD INTEREST	70175.88	877.20	2631.60	292.40	
TOTALS	2343027.64	24320.61	70940.70	8106.87	

EXHIBIT C

**FORMULA FOR CALCULATING
MONTHLY LEASE AMOUNT**

Base Rent amount at beginning of each month.
Balance – Sixty (60 days thereafter)

Formula:

Net Income	_____
Add Depreciation	_____
Add Amortization	_____
Add Base Rent	_____
Less Capital Expenditures	(_____)
Less Return on Equity	(_____)
 Cash Flow	 _____
95% of Cash Flow-Rent	_____
 Rent	 _____

EXHIBIT D

LANDMARK OF DESOTO

Dietary Consultant
Pharmacy Consultant
Medical Director
Patients Activities
Medical Records
Nurse Consultant
Oxygen Supplies
Therapy Services

Nutrition Systems
Jamie Gunnells
Family Medical Associates
C.N. Davis
Billie Winters
Magnolia Management Corp
Professional Healthcare
TriStar Rehab